



## Minnesota Housing eNews Alert

November 19, 2009

### Neighborhood Stabilization Program (NSP) Updates

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#### Preserving Homeownership Affordability through NSP Webinar - Tuesday, December 1, 2009

*Announced by NCB Capital Impact and NeighborWorks America*

This webinar will provide an overview of NSP program requirements and highlight examples of communities that are using NSP resources to achieve lasting affordability.

- When: Tuesday, December 1, 2009 from 10:30 a.m. to 12:00 p.m. (Central time)
- [Read more information and to register online for the Webinar.](#)

#### NSP Contract Amendments

- [NSP Contract Amendments Guidance Terms](#)

Minnesota Housing accepts requests for contract amendments to be forwarded throughout the remaining part of this year and into next year.

The next deadline for the submission of contract amendments is **December 11, 2009.**

#### HUD Reporting

Minnesota Housing must comply with specific HUD reporting requirements. The following reports are required to be maintained by Subrecipients:

- [Obligations Funds Report - Template](#) (cumulative report - due when requested)

- [Properties Completed Report - Template](#) (cumulative report - due at end of each month)

## Current Minnesota Housing REO Properties and Guidance

- [REO Property List](#)
- [REO Acquisition Guidance](#)

## NSP Frequently Asked Questions

### What is a reasonable timeframe for holding on to NSP funds?

Except for administration and rehabilitation costs, Subrecipients can draw funds in advance as long as the request is submitted within a reasonable timeframe of the anticipated expenditure date. HUD's "3 day rule" applies. Funds are required to be sent back to Minnesota Housing immediately should the drawn funds not be expended.

### Does use of program income count toward obligated funds?

Subrecipients should keep in mind that program income counts towards total dollars obligated. A Subrecipient that successfully and quickly deploys its program and generates program income may obligate, draw down, and expend an amount equal to its NSP allocation amount, and still have funds remaining in its line of credit.

### Are Subrecipients required to determine after-rehab value and, if so, when?

- After-rehab value must be obtained prior to the execution of the rehabilitation/redevelopment contract.
- After-rehab value must be obtained to ensure that the after-rehab value does not exceed 95 percent of the median purchase price for the area, as published by HUD. [View the FHA Value Limits.](#)
- On City- or developer-driven transactions where funds are used under eligible use B or E, after-rehab value must be obtained to confirm the direct subsidy to the buyer when recapture is used. Furthermore, Subrecipients must establish the resale price to be no greater than the lesser of the market value or the total development costs.
- On buyer-driven transactions, the after-improved value must be obtained prior to the homebuyer's first mortgage closing, when the Subrecipient has completed the agreement with the buyer. See further guidance on agreements below.

### How are Subrecipients required to document the after-rehab value?

- To establish project eligibility, the after-rehabilitation value must be established prior to any work being performed. Subrecipients may use one of the following methods:
  - Estimates of value: Estimates of value may be used by the Subrecipient. Project files must contain the estimate of value and document the basis for the value estimates.
  - Appraisals: Appraisals, whether prepared by a licensed fee appraiser or by the Subrecipient's staff appraiser, may be used. Project files must document the appraised value and the appraisal approach used.
  - Tax assessments: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.

**Why are agreements for rehab under eligible use B, signed between Subrecipient and homebuyer, necessary?**

- Once a property is acquired by a homebuyer under eligible use B, the property is no longer considered foreclosed. Subrecipients interested in assisting a homebuyer with NSP funds for the rehabilitation of their property outside of the first mortgage closing, may proceed as long as an agreement is signed between the homebuyer and the Subrecipient prior to the closing of the first mortgage. [View HUD's Guidance on NSP-Eligible Acquisition & Rehabilitation Activity](#)
- If the rehabilitation funds are layered with the first mortgage, then both transactions are recognized by the lender for a combined closing subject to the completion of the rehabilitation escrow (rehab escrow held by HUD).

**What is the difference between rehabilitating a property under eligible use E vs. eligible use B?**

- **Eligible Use B - Acquisition Rehab:** Rehabilitation is subject to the CDBG “reconstruction” definition, meaning the rebuilding of the structure on the same site should be substantially in the same manner. The number of housing units may not be increased, but may be decreased. The number of rooms per unit may be increased or decreased. The property must have been purchased out of foreclosure or abandonment.
- **Eligible Use E - Redevelopment:** Rehabilitation is not subject to the CDBG reconstruction definition. Therefore there are no limitations in the reconstruction of the structure. The property must be vacant and it was not necessarily purchased out of foreclosure or abandonment.
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**Redevelopment - NSP Eligible Use E:**

Questions	City-or developer driven Redevelopment	Buyer-driven Redevelopment/Rehab
What are the eligible uses	Acquisition, disposition, relocation, rehabilitation, new construction	Rehabilitation for homeownership purposes only
What is the required property status?	Must be vacant*	Must be vacant*
What other property statuses are eligible?	Acquired or to be acquired by government or private entity, out of foreclosure, abandonment, short sale or regular sale, and must be vacant.	Purchased or to be purchased by homebuyer out of foreclosure, abandonment, short sale or regular sale, and must be vacant.
How is Title held?	Title could be in the name of a foreclosing entity or in the name of a government or private entity (for profit or non-profit organization).	Title will pass or has passed in the name of an Individual with intent to occupy as a primary residence.

Are pre-award costs such as acquisition costs eligible for reimbursement under redevelopment?	If property was acquired after 12/1/08 and NSP applicable contingencies were satisfied prior to its acquisition, then acquisition costs are eligible for reimbursement.	The eligible use is rehabilitation only; therefore, purchase costs are not reimbursable to homebuyer.
Are properties acquired or purchased prior to 12/1/08, eligible for redevelopment?	Yes. However, activities expended prior to 12/1/08 are not eligible for reimbursement.	Yes. However, any redevelopment/rehab costs expended by the homebuyer prior to 12/1/08 are not eligible for reimbursement.
Are funds expended under this activity eligible towards meeting the 50% AMI low income household requirement?	If the property was acquired directly out of foreclosure or abandonment, then yes. If the property was just vacant and doesn't meet the definition of foreclosed or abandoned then the answer is no.	If the property was acquired out of foreclosure or abandonment, and the contract to rehabilitate was executed prior to the homebuyer's first mortgage closing, then yes. If Subrecipient's first contact with homebuyer was after title had transferred to the homeowner then the answer is no, because the property is no longer foreclosed.
Does the 1% discount requirement, documented by an appraisal apply under redevelopment?	No. However, it is required when the Subrecipient acquires a property directly out of foreclosure or abandonment and is seeking the reimbursement of acquisition costs. Property must be vacant.	No. However, it is required when the Homebuyer receives NSP assistance and the purchase of the property was directly out of foreclosure or abandonment. That assistance would be processed under Financing mechanisms. Property must be vacant.
Is an after-rehab value required prior to commencing redevelopment?	Yes.	Yes.

\*vacant is defined as a vacant structure or demolished structure (vacant land). Unoccupied property or land that was once developed; "greenfield sites" are ineligible.

### **Bankers' Regulator Guidance on Non-Traditional Mortgages**

Subrecipients must obtain confirmation from homebuyer's Banker providing the first mortgage loan that they are in compliance with the [Bankers Regulators Guidance on Non-traditional Mortgages](#). In an effort to make the certification easier to explain to Bankers, a revised document replaces the original document posted on our web site. Subrecipients only need to document one certification received from the local headquarters or operations office representing its various branches in

Minnesota. Furthermore, Subrecipients should forward a copy of the certifications obtained so Minnesota Housing can update a master list showing all Bankers that have signed. If the borrower is obtaining the first mortgage from a broker, the certification must be signed by the Broker agency and another certification must be signed by the Bank that purchases the Broker's loan. Subrecipients should document which Brokers correspond to which Banks.

- [Banker Signed Compliance Certification Report](#)
- [Banker's Certification Form](#)

## **NSP Help Instructions for NSP Disbursement/Reimbursement Forms**

- [NSP Help Instructions](#)

This document provides line-by-line instructions for completing the NSP "Initial Set Up" and "Property Disbursement/Reimbursement" forms.

The NSP Help Instructions for the "Property Close-Out" form will be provided in a future eNews.

## **Technical Assistance Training**

Minnesota Housing will support your training needs through the new HUD technical assistance process, led by Minnesota Housing Partnership. Please forward any technical training topics to [nsp.mhfa@state.mn.us](mailto:nsp.mhfa@state.mn.us). Some technical training needs identified by Subrecipients are:

- NSP transactions
- How to use the NCST
- First Look process more efficiently
- How to document that the property was and remained vacant of tenants
- Recommended loan file checklist
- Documenting administrative files
- Subrecipient vs. Developer roles
- Processing program income
- Intent to comply with Green; requesting waivers
- Strategies for maintaining stabilization
- Data needs for strategy planning

## **Questions?**

Contact Ruth Simmons at 651.297.5146 or [nsp.mhfa@state.mn.us](mailto:nsp.mhfa@state.mn.us).